

# Oversight Division

Committee On Legislative Research

## PROGRAM EVALUATION

Review of the  
Department of Social Services  
Welfare Investigations Unit

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Program Evaluation  
Review of the  
Department of Social Services  
Welfare Investigations Unit

*Prepared for the Committee on Legislative Research  
by the Oversight Division*

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## Committee on Legislative Research Oversight Subcommittee

THE COMMITTEE ON LEGISLATIVE RESEARCH, Oversight Division, is an agency of the Missouri General Assembly as established in Chapter 23 of the Revised Statutes of Missouri. The programs and activities of the State of Missouri cost approximately \$23 billion annually. Each year the General Assembly enacts laws which add to, delete or change these programs. To meet the demands for more responsive and cost effective state government, legislators need to receive information regarding the status of the programs which they have created and the expenditure of funds which they have authorized. The work of the Oversight Division provides the General Assembly with a means to evaluate state agencies and state programs.

THE COMMITTEE ON LEGISLATIVE RESEARCH is a permanent joint committee of the Missouri General Assembly comprised of the chairman of the Senate Appropriations Committee and nine other members of the Senate and the chairman of the House Budget Committee and nine other members of the House of Representatives. The Senate members are appointed by the President Pro Tem of the Senate and the House members are appointed by the Speaker of the House of Representatives. No more than six members from the House and six members from the Senate may be of the same political party.

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Members of the General Assembly:

The Joint Committee on Legislative Research adopted a resolution on September 10, 2013 directing the Oversight Division to perform a program evaluation of the Department of Social Services, Welfare Investigations Unit to determine and evaluate program performance in accordance with program objectives, responsibilities, and duties as set forth by statute or regulation.

This report includes Oversight's comments on internal controls, compliance with legal requirements, management practices, program performance and related areas. We hope this information is helpful and can be used in a constructive manner for the betterment of the state program to which it relates. You may obtain a copy of the report on the Oversight Division's website at <http://www.moga.mo.gov/oversight/audits.htm>.

Respectfully,

A handwritten signature in black ink that reads "Brad Lager". The signature is written in a cursive, flowing style.

Senator Brad Lager  
Chairman

## EXECUTIVE SUMMARY

The Missouri Department of Social Services (DSS or Department) is responsible for coordinating those state programs which provide public assistance to individuals and families that meet specified income and resource requirements. The Family Support Division (FSD) manages most of the programs in Missouri which provide direct financial assistance to individuals and families.

The Division of Legal Services (DLS) provides comprehensive legal support to the Department, including all programs and all other divisions. The Welfare Investigations Unit (WIU) is part of the Investigations Section of DLS.

The WIU investigates allegations and claims of recipient fraud and abuse. Allegations of provider fraud and abuse are investigated by the Medicaid Fraud Control Unit, a part of the Office of the Attorney General. Collection efforts for overpayments and other claims related to DSS programs are managed by the Claims and Restitutions Unit, another part of the DLS Investigations Section.

WIU does not directly participate in the recovery and collection of overpayments due to fraud and abuse; however, WIU prepares fraud and abuse cases for prosecution by verifying and documenting the facts in each case so that a criminal conviction and restitution order can be obtained by local prosecuting attorneys. Collections related to WIU investigations amounted to \$1,726,087 in FY 2013, \$1,752,372 in FY 2012, \$1,432,152 in FY 2011, and \$1,448,076 in FY 2010. Collections for any given year do not directly result from that year's investigations since collections are generally received over more than one year. WIU had 35 staff in FY 2013, and WIU expenditures totaled \$901,835 in FY 2013, \$939,264 in FY 2012, \$1,025,890 in FY 2011, and \$1,194,508 in FY 2010.

Oversight reviewed WIU procedures and interviewed WIU management, but was prevented from a detailed review of case files due to the DLS interpretation of federal and state confidentiality laws.

Oversight recommended WIU work with the Missouri Department of Revenue, the federal Internal Revenue Service, and other agencies to expand and improve cooperative tax refund and payment offset programs. Oversight recommended DSS coordinate their investigation threshold amount with prosecuting attorneys, and WIU has told us they are working to develop a cooperative arrangement with prosecuting attorneys through the Missouri Office of Prosecution Services. The Office of the State Auditor noted in their Statewide Single Audit for FY 2012 that WIU case files were not processed and closed on a timely basis. WIU has told us their corrective action plan includes a review of their caseload assignment case review processes so that cases may be closed on a timely basis. Finally, Oversight noted the DSS does not prepare or review a listing of all overpayments. Such a listing and review would allow better coordination and management of collection efforts. We recommended DSS develop such a report and implement proper review and overall collections management procedures.

# Chapter 1

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## Purpose/Objectives

The General Assembly has provided by law that the Joint Committee on Legislative Research may have access to and obtain information concerning the needs, organization, functioning, efficiency and financial status of any department of state government or of any institution that is supported in whole or in part by revenues of the State of Missouri. The General Assembly has further provided by law for the organization of an Oversight Division of the Joint Committee on Legislative Research and, upon adoption of a resolution by the General Assembly or by the Joint Committee on Legislative Research, for the Oversight Division to make investigations into legislative governmental institutions of this state to aid the General Assembly.

The Joint Committee on Legislative Research directed the Oversight Division to perform an evaluation of the Department of Social Services, Division of Legal Services, Investigations Section, Welfare Investigations Unit (WIU).

Oversight's review included, but was not limited, to the following:

- Determining how cases are referred to WIU;
- Determining whether all complaints and referrals are investigated by WIU, and if not, the criteria used to determine which reviews should be performed;
- Determining WIU's procedures for processing complaints and referrals related to welfare fraud and abuse, and whether WIU pursues all cases of suspected abuse;
- Determining the procedures involved in a WIU review;
- Determining the procedures utilized to recover overpayments of public assistance moneys from recipients once fraud or abuse has been confirmed;
- Determining what procedures other states use to identify fraud and abuse in their public assistance programs;
- Determining how WIU works with local prosecutors to recover inappropriate payments and penalize abusers;
- Determining whether the cost of WIU is justified in terms of funds recovered from program participants;
- Determining whether the Program Integrity Unit works with WIU and, if so, how they work together and what differences there are between them; and,
- Determining whether WIU is in a position to prevent overpayments due to fraudulent activities or if the state is in a pay-and-chase position.

## **Scope**

The scope of this program evaluation concentrated on the period July 1, 2009 through June 30, 2013 (State Fiscal Years 2010 through 2013).

The Department of Social Services, Division of Legal Services (DLS) restricted Oversight's access to information the DLS considered confidential in WIU case files based on their interpretation of federal and state privacy provisions. Oversight was only provided access to public information as it is defined in the Missouri Open Records Law.

## **Methodology**

Oversight's review included conducting interviews with Division of Legal Services, Welfare Investigations Unit staff and reviewing Federal and State statutes, rules and regulations. Oversight also reviewed organizational charts, prior audit and other program reports, budget and expenditure information, and analyzed statistical data. Because of the scope limitation discussed above and the limited time available to complete the review and prepare this report, Oversight performed only a limited review of closed case files.

## **Background**

The Missouri Department of Social Services (DSS or Department) is responsible for coordinating programs which provide public assistance to individuals and families that meet specified income and resource requirements. Qualifying individuals include children and their parents, the elderly, and the disabled.

Among other responsibilities, DSS provides aid to children and their parents in accessing health care, child care, housing, energy assistance, food stamps, and temporary assistance for needy families (TANF), as well as providing child support enforcement services and specialized assistance to troubled youth. While many programs provide direct financial assistance and services to qualified individuals and families, other programs are intended to reduce the financial dependency of citizens on the government.

The Department is headed by a director who is appointed by the Governor, subject to the approval of the Senate. The director, in turn, appoints division directors and other staff. Most employees working for the Department are hired through the Merit System based on specified job qualifications. There are currently 7,355 budgeted employees in the Department and the total annual DSS budget is approximately \$8.1 billion.



## Chapter 2 - Department of Social Services Division Responsibilities and Attorney General's Office Responsibilities for Identifying Fraud, Waste and Abuse

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This chapter provides an overview of the functions, duties and responsibilities of the divisions within the Department of Social Services and the organization of some of the units within those divisions. In addition, a description is provided of the unit within the Attorney General's Office responsible for identifying and minimizing instances of Medicaid fraud, waste and abuse.

### **Department of Social Services**

The Department of Social Services has four program divisions and two support divisions. DSS program divisions include the Family Support Division, the MO HealthNet Division, the Children's Division, and the Division of Youth Services. The Department's support divisions include the Division of Legal Services and the Division of Finance and Administrative Services.

#### **Family Support Division**

The Family Support Division (FSD) manages most of the programs in Missouri which provide direct financial assistance to maintain and strengthen Missouri families and help people achieve an appropriate level of self-support and self-care through needs-based services. The larger programs overseen and managed by FSD include:

- Child care assistance;
- Child support services;
- Income maintenance and self-sufficiency programs like Food Stamps, Temporary Assistance for Needy Families (TANF), health care, and blind services;
- Low Income Energy Assistance;
- Nursing home coverage; and,
- Home and Community-based Care.

One of the primary functions of FSD is determining whether applicants for public assistance programs meet eligibility requirements. Eligibility requirements include, but are not limited to, meeting specific income and asset tests. While FSD helps applicants obtain all of the services and program benefits for which they qualify, FSD also operates programs to verify and monitor recipients' income and family structure in order to limit benefits to those who actually qualify for them.

Suspected instances of fraud and abuse by recipients in programs managed by the FSD are reported to and investigated by the Division of Legal Services, Welfare Investigations Unit.

### MO HealthNet Division

The MO HealthNet Division (formerly the Division of Medical Services) is responsible for the administration of services provided in accordance with Title XIX of the federal Social Security Act, U.S.C Section 301, commonly referred to as the Medicaid program. The purpose of the MO HealthNet Division (MHD or Division) is to purchase and monitor health care services for low income and vulnerable citizens of the state. The Division assures quality health care through the development of service delivery systems, standards setting and enforcement, and education of providers and participants.

Prior to January 2011, the Program Integrity Unit (PIU) and the MO HealthNet Investigations Unit (MIU) were located within the MHD. The PIU was responsible for monitoring program compliance by MHD providers and participants. PIU also conducted post-payment reviews of MO HealthNet claims to ensure that appropriate payments were made and that providers were billing and providing services in accordance with federal and state regulations. In addition, PIU monitored claims and responded to referrals where potential MO HealthNet fraud or abuse could be attributed to a participant. The MIU was responsible for conducting investigations into allegations of fraud, waste, and abuse by providers and participants. In the event the investigation revealed a credible allegation of fraud by a provider, the information was forwarded to the Medicaid Fraud Control Unit (MFCU) within the Attorney General's Office for review. If the investigation revealed a credible allegation of fraud by a participant, the information was forwarded to the Division of Legal Services (DLS), Welfare Investigations Unit (WIU) for review. In January 2011, the PIU and MIU units within MHD became part of the Missouri Medicaid Audit and Compliance Unit (MMAC) and were put under the control of the Director of DSS as a way to ensure independence.

### Children's Division

The Children's Division (CD) is charged with the administration of a variety of child welfare programs. These programs include Foster Care, Adoption/Guardianship Subsidy, Residential Treatment Services, Children's Treatment Services, Investigation and Treatment of Child Abuse and Neglect, Independent Living, Transitional Living, and Child Care.

### Division of Youth Services

The Division of Youth Services (DYS or Division) provides reception, classification, care activities, education, and rehabilitation of youth committed by the Juvenile Courts. The Division's primary goal is to keep committed youth from further delinquent behavior.

### Division of Legal Services

DLS provides comprehensive legal support to the entire Department, including all programs and all other divisions. DLS also represents the Department and its divisions on behalf of the State in court proceedings. DLS is organized into four major sections: Litigation, Administrative Hearings, Investigations, and the State Technical Assistance Team.

The Investigations section is further divided into three units: the Welfare Investigations Unit (WIU), the Claims and Restitution Unit, and the Special Assignment Unit. The Welfare Investigations Unit enhances the integrity of public assistance programs by investigating claims of recipient fraud and abuse.

The Claims and Restitution Unit is responsible for the collections program for the entire Department of Social Services. It operates and manages the Claims Accounting and Restitution System (CARS), which tracks the Department's claims and collection efforts for overpayments in all of the public assistance programs administered by the DSS. In addition, this unit administers the federal Treasury Offset Program. The Treasury Offset Program provides for the interception of individuals' federal income tax refunds and other federal payments to satisfy outstanding food stamp overpayments.

The Special Assignment Unit (Unit) is responsible for conducting criminal, personnel, and internal investigations, background checks on prospective DSS employees, and technical support and investigative assistance to the various DSS divisions. The Unit also works to locate persons owing monies to DSS and other state agencies, identifies their resources, initiates collection actions, monitors payments, and takes appropriate action on delinquent accounts.

### Division of Finance and Administrative Services

The Division of Finance and Administrative Services provides centralized financial and administrative support to all other DSS divisions.

### Office of Attorney General

Suspected cases of fraud or abuse committed by Medicaid health care providers are investigated by the AGO's Medicaid Fraud Control Unit (MFCU). The Missouri Attorney General's Office (AGO) does not have the statutory authority to investigate fraud committed by Medicaid participants/recipients.

### Medicaid Fraud Control Unit

MFCU is responsible for the investigation and prosecution of health care providers that defraud the Missouri Medicaid program. Federal law requires each state to have a single, identifiable entity of state government, annually certified by the U.S. Department of Health and Human Services, that conducts a statewide program for the investigation and prosecution of health care providers that defraud the Medicaid program. To receive federal certification, the unit must be separate and distinct from the state's Medicaid administrative agency, the DSS.

Medicaid providers include doctors, dentists, hospitals, nursing homes, pharmacies, clinics, counselors, personal care/homemaker chore companies, and any other individual or company that is paid by the Medicaid program. Provider fraud occurs when a provider intentionally misrepresents the services rendered and improperly increases the provider's reimbursement from Missouri Medicaid/MO HealthNet.

MCFU is prohibited by Federal regulations from investigating fraud committed by Medicaid participants unless there is a conspiracy with a provider. As a result, MCFU generally refers cases involving suspected recipient fraud to the DSS, Division of Legal Services, Welfare Investigations Unit.

## Chapter 3 - Eligibility Determinations and Recovery Process for Overpayment of Public Assistance Funds

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### Family Support Division (FSD) - Eligibility Determination

Applicants for public assistance are required to provide family member information, income, and other resource information to FSD case workers. During the initial application, case workers verify, among other things identity, income, household composition, social security numbers, residency, disability, and the legal obligation to pay (and actual payment of) child support. FSD validates information provided through hard copy documents, collateral resources, and via the exchange of information with other state and federal sources. The certification is generally done on an annual basis; however, the recertification requirement may be extended for some recipients whose circumstances are unlikely to change.

In the last two months of the certification period, the household is required to apply for Food Stamp benefits for a new certification period. FSD also conducts annual reviews for recipients of Temporary Assistance for Needy Families (TANF) benefits. As part of the certification process, FSD again verifies recipients' income and its source, other recipient resources, children living in the home, changes to child support obligations or payments, newly obtained social security numbers, and any other information that may have changed. An interview is the basic tool for obtaining eligibility information and is generally required for each application, but a personal interview may be waived in certain circumstances.

TANF funds are provided through a block grant from the U.S. Department of Health and Senior Services. The TANF program's purposes include:

- assisting needy families so that children can be cared for in their own homes;
- reducing the dependency of needy parents by promoting job preparation, work and marriage; and,
- encouraging the formation and maintenance of two-parent families.

In 2008, the Food Stamp Program was officially renamed the Supplemental Nutrition Assistance Program (SNAP) at the federal level although the State of Missouri continues to call it the Food Stamp (FS) Program. Food Stamp benefits can be used to purchase food and products to grow food, such as seeds and plants. Benefits provided to recipients are 100% federally funded through the U.S. Department of Agriculture (USDA). Missouri's FS program follows the USDA Food and Nutrition Services (FNS) regulations and guidelines.

### Overpayments, Claims, and Collections

The FSD enrolls applicants based on information they provide and verification is performed at that time based primarily on the documentation provided by the applicant. As discussed above, the FSD also reviews recipient's information when an application is made for benefit renewal. FSD has automated processes which periodically compare applicant information with employment and income data from outside sources. Benefits can be overpaid or underpaid if information in the FSD computer system is incorrect; the erroneous information can result from an error by the applicant at the time of application or recertification, a change in income, a change in household composition, or some other change not previously reported to FSD.

In most instances, FSD employees discover the improper payments to participants. Discoveries generally occur as a result of the routine FSD reviews and screenings, although both FSD and the Welfare Investigations Unit (WIU) receive tips, e-mails, hotline calls, and referrals from other state, federal, and law enforcement agencies that lead to investigations.

When FSD discovers an overpayment, the amount paid is compared to the amount that should have been paid. The difference is processed as a claim and the claim amount is computed by multiplying the monthly overpayment amount by the number of months the overpayment was made. The Food Stamp and Temporary Assistance for Needy Families programs result in the largest number of cases involving the improper payment of benefits.

The most common cause of benefit overpayment is unreported income. See Table 1 for case statistics related to unreported income. If FSD suspects the unreported income or other incorrect information was an intentional act of the applicant, that act is considered an Intentional Program Violation (IPV). Then, if the overpayment is \$500 or more, or if the participant has multiple instances of suspected abuse, the case will also be referred to WIU for investigation.

Table 1 - Percentage of Total Cases Opened by WIU Resulting from Unreported Income

Fiscal Year	Total Number of Cases with Overpayments to Recipients/Clients*	Number of Cases with Overpayments Due to Unreported Income*	Percentage of Cases with Unreported Income to Total Cases of Overpayments
2010	2,746	1,312	53%
2011	2,226	1,252	56%
2012	2,538	1,554	61%
2013	2,446	1,468	60%

Source: Department of Social Services

\* These numbers do not match those presented in Table 5 on page 15. This table includes all instances of overpayment, as reported by FSD, due to unreported income, regardless of the amount of the claim whereas Table 5 only presents claims/cases referred to WIU.

Federal regulations governing the SNAP/Food Stamp program require participants to repay overpayments, regardless of whether the violation was an intentional program violation (IPV), an unintentional program violation, or the fault of the state agency. If an overpayment is the result of an unintentional program violation, the monthly household food stamp allotment may be reduced by \$10 or 10% of the monthly benefit, whichever is greater; if the overpayment is due to an IPV, repayment may be reduced by the greater of \$20 or 20% of the monthly household benefit.

Once FSD has established a claim against a recipient in the Food Stamps or TANF programs, FSD staff enters the overpayment into CARS (Claims Accounting and Restitution System). The CARS provides a permanent record of the obligation and removal from the system only occurs when the obligation has been paid in full. After the overpayment has been entered into CARS, a packet of information is automatically generated and sent to the participant explaining that an overpayment has occurred and that money is owed. The packet provides a listing of the dates the participant was not eligible for the amount of benefits received, the reason for the overpayment, the amount owed (by date), and a letter the participant can submit to request a hearing if they dispute FSD's claim. When FSD suspects an IPV has occurred, the client is informed that WIU will review the case and that they may be contacted to discuss the situation. CARS sends a notification to WIU at the time the client is notified of the suspected IPV.

If an overpayment is suspected in a program other than Food Stamps or TANF (such as Medicaid, child care, nursing care, etc.), a manual process similar to the one used for Food Stamps and TANF is used to notify the participant of an adverse action. The participant will receive an Adverse Action Notice informing them that benefits were overpaid and why they no longer qualify for benefits. It may take a period of time, however, to establish a Medicaid claim because of the time providers have to submit documentation and request payment (one year from the date of service). If FSD employees suspect the overpayment was the result of an intentional act by the recipient, it is considered a potential IPV and WIU will also be notified.

Whether an IPV is suspected or not, amounts due from participants are pursued by FSD collections staff using CARS. CARS collects overpayments for all DSS programs, including those overpayments which are investigated by WIU. Overpayment recoveries are attempted through several processes:

- Recoupment - reductions in benefits to recapture previous overpayments for FS and TANF clients who are still active in the program. This is usually done by reducing current and/or future benefits to participants.
- Federal Treasury Offset Program - used only for FS recoveries. Recoveries are made from participants' Federal income tax refunds or other federal payments received.
- Missouri Income Tax Refund Intercept - used only for delinquent child support payments because only the Child Support Enforcement Program has statutory authorization for state income tax refund interception.

If a participant fails to repay overpaid public assistance benefits, their claim may be turned over to the Attorney General's Office (AGO) for recovery of the amount due. The AGO can, at its discretion, pursue cases for nonpayment or refer the recipient to a collection agency.



### **Comment 1**

Oversight notes that when FS recipients fail to make payments against overpaid amounts, the federal Treasury Offset Program can be used to recoup overpaid benefits by intercepting federal tax refunds, Social Security benefits, federal tax credits, federal salaries, or any other payments received from the federal government. Additionally, Oversight is aware the Missouri Department of Revenue has been given similar authority to intercept state tax refunds when unpaid child support is owed.

The federal and state debt offset and refund interception programs are not available for the collection of overpayments in other public assistance programs because there is no statutory authority for DSS to use these processes for other overpayments. Although proposals have been introduced to create an expanded state debt collection and refund interception program, they have not been passed by the General Assembly.

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### **Recommendation 1**

Oversight recommends the Department of Social Services (DSS), the Department of Revenue (DOR) and the General Assembly coordinate efforts to develop and pass language that would allow DOR to intercept state tax refunds for public assistance program overpayments, in addition to delinquent child support payments.

Oversight further recommends DSS and DOR work with the Internal Revenue Service as well as other federal and other states' agencies to develop a reciprocal agreement to enhance collections of overpaid public assistance moneys.

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## **Comment 2**

Oversight asked WIU for an aged listing of all accounts receivable in the CARS system and was told by WIU management that such a listing was not available. We believe an aged accounts receivable listing should include all program overpayments which have not been recovered from participants. Oversight considers the periodic review of such a report to be a fundamental management responsibility, but we understand that current DSS computer systems were not necessarily designed to provide such information. DSS management did not provide alternative ways of obtaining this information.

The WIU Chief Investigator, who manages collections staff in addition to WIU staff, submitted a request for such a report to the Division of Finance and Administrative Services (DFAS) but that report has not been completed and provided to Oversight as of the writing of this report.

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## **Recommendation 2**

Oversight recommends WIU management review the aged accounts receivable listing when it becomes available and that WIU request the report on a periodic basis. Upon receipt of the reports, management should review them and take appropriate corrective action including reviewing and setting priorities for collecting delinquent balances and/or reassignment of staff. WIU should also request such reporting capability be included into any new DSS systems.

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## **WIU Investigations of Intentional Program Violations**

Suspected intentional program violations (IPVs), are sent from CARS/FSD to WIU only after a claim amount has been established. Claims referred to WIU for investigation are reviewed by the Special Agent in Charge (SAC) for assignment to an investigator. As previously stated, \$500 is the minimum threshold for WIU to accept a claim for investigation unless WIU has a pending investigation on the same participant. If a claim is not accepted for investigation (less than \$500, under recoupment, active repayment agreement, etc.), it is returned to FSD.

When an investigation is initiated, it is entered into the WIU database and assigned a sequence number and/or a Department of Investigations (DOI) case number. Assignment of a case number depends on whether information provided by a source can be substantiated, verified and followed-up on well enough to justify assigning a case number to the report or allegation. The database is WIU's method of recording and tracking casework although it has limited query and report producing capabilities.

WIU only investigates recipients based on whether or not the participant was eligible for the public assistance benefits they received at the time those benefits were received and if fraud or abuse is suspected. Investigators review FSD application/recertification information, interview the recipient and/or witnesses, obtain employment information, daycare or school attendance records, and other information needed to substantiate that a participant received benefits during a period in which they did not qualify for those benefits. Witness interviews, for example, may be used to determine that children claimed for FS and TANF benefits were not actually a part of the household of the person receiving those benefits.

When the investigation is complete and the overpayment amount has been confirmed, WIU contacts the participant and arranges an interview where the information is presented. The participant is given the opportunity to provide additional information or an explanation. Participants are then given an opportunity to sign a promissory agreement and begin repayment of the overpaid benefits. The participant may choose between paying the overpaid amount directly or agreeing to a benefit reduction. If the participant refuses to meet with WIU or sign the promissory note, WIU has the option of presenting the information to the appropriate county prosecutor for prosecution in a court of law.

If a person received health care services (MO HealthNet/Medicaid), child care, energy assistance or some other public assistance benefit when not eligible, WIU will seek to recoup the amount paid to the provider for those services from the recipient, either through a promissory note, turning the case over to the county prosecutor, or if the recipient does not make payments on a promissory note, turning the case over to the county prosecutor or Attorney General.

#### Food Stamp Program Disqualification

In addition to the recovery of overpaid benefits, participants found to have committed an IPV in the Food Stamp Program will be disqualified from receiving food stamp benefits for 12 months for the first violation; 24 months for a second intentional violation; 120 months (10 years) for a third intentional violation, and permanently for a fourth IPV. Only the benefits of the person deemed to have committed the IPV are suspended, although the monthly benefit amount of other qualified household members may be reduced by the repayment amount, depending on the repayment agreement. As long as the household continues to receive food stamps, monthly benefits may be reduced by the repayment amount. If the household fails to repay overpaid benefits, the federal Treasury Offset Program can be used to intercept federal income tax refunds, federal salaries, federal tax credits, Social Security payments, etc., to ensure repayment of overpaid benefits.

Food stamp benefits are the only public assistance program in which an individual can be permanently disqualified for intentional program violations; all other public assistance benefits are entitlements - if the person meets the income and other qualification criteria for a program, he/she is entitled to the benefits for which he/she qualifies regardless of the number of violations that may be committed. Depending on the benefit program, however, the person may be locked-in to a particular pharmacy or physician provider for Medicaid or be subject to pre-certification reviews, etc. (See Table 2 for the number of FS disqualification cases.)

Table 2 - Food Stamp Eligibility - Disqualification Cases

FY	Disqualification Period				Total Cases
	12 Months	24 Months	120 Months	Permanent	
2010	429	4	24	15	472
2011	534	26	12	18	590
2012	350	14	6	26	396
2013	356	14	11	6	387

Source: Department of Social Services

Once WIU investigators close a case (signed promissory note, turned over to the prosecuting attorney, sent back to FSD/CARS), the amount due is referred back to the FSD Claims Accounting Unit. Table 3 below provides the dollar amounts collected as a result of the work of the WIU. Note that the amounts presented do not represent collections from cases closed in any particular fiscal year as the amounts shown can include repayments on cases closed in prior years.

Table 3 - Collections resulting from WIU Investigations - Totals by Program

FY	TANF	FS	FS Treasury Offset	Medicaid	Child Care	Other	Total
2010	\$206,472	\$843,023	\$227,790	\$142,439	\$16,670	\$11,683	\$1,448,076
2011	\$175,695	\$718,860	\$329,768	\$162,309	\$16,271	\$29,248	\$1,432,152
2012	\$172,211	\$836,333	\$535,867	\$163,771	\$19,363	\$24,828	\$1,752,372
2013	\$174,454	\$841,855	\$426,513	\$246,785	\$15,426	\$21,052	\$1,726,087

Source: Department of Social Services

\* Other claims include collections for a number of smaller programs.

## Chapter 4 - WIU Organization, Duties and Responsibilities

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The Welfare Investigations Unit is responsible for the follow-up and investigation of all allegations and reports of participant/recipient fraud and abuse of public assistance monies in the State of Missouri. The most common investigations involve, but are not limited to, the Supplemental Nutrition Assistance Program (SNAP or Food Stamps), Temporary Assistance for Needy Families (TANF) benefits, Electronic Benefit Transfer (EBT) trafficking, and child care, energy assistance, and blind pension program abuses. In addition to investigating allegations of participant fraud and abuse, the WIU is responsible for investigating claims against child care providers, threats to DSS employees, wage inquiries, and inquiries related to MO HealthNet/Medicaid, nursing care, and other programs administered by the DSS.

WIU has offices in five (5) regions/districts: Kansas City (Western District), St. Louis (Eastern District), Jefferson City (Central District), Springfield (Southwestern District), and Sikeston (Southeastern District). Table 4 provides WIU staffing levels and expenditures for FY 2010 - FY 2013. WIU is currently in the process of hiring two additional investigators for the Eastern District (St. Louis).

Table 4 - WIU Staffing and Expenditures

Fiscal Year	WIU Total Staff	WIU Investigators	WIU Annual Expenditures
2010	36	24	\$1,194,508
2011	35	23	\$1,025,890
2012	30	20	\$ 939,264
2013	35	25	\$ 901,835

Source: Department of Social Services

WIU prioritizes work on a daily basis. All allegations, regardless of the source (hot line calls, e-mails, referrals from other state and federal agencies, etc.) are entered into the DLS Investigations (WIU) - Case Data Entry Log, assigned a Sequence Number, and investigated to the extent possible. Assignment of a Department of Investigations (DOI) Number (case number) depends on whether information provided by a source can be substantiated.

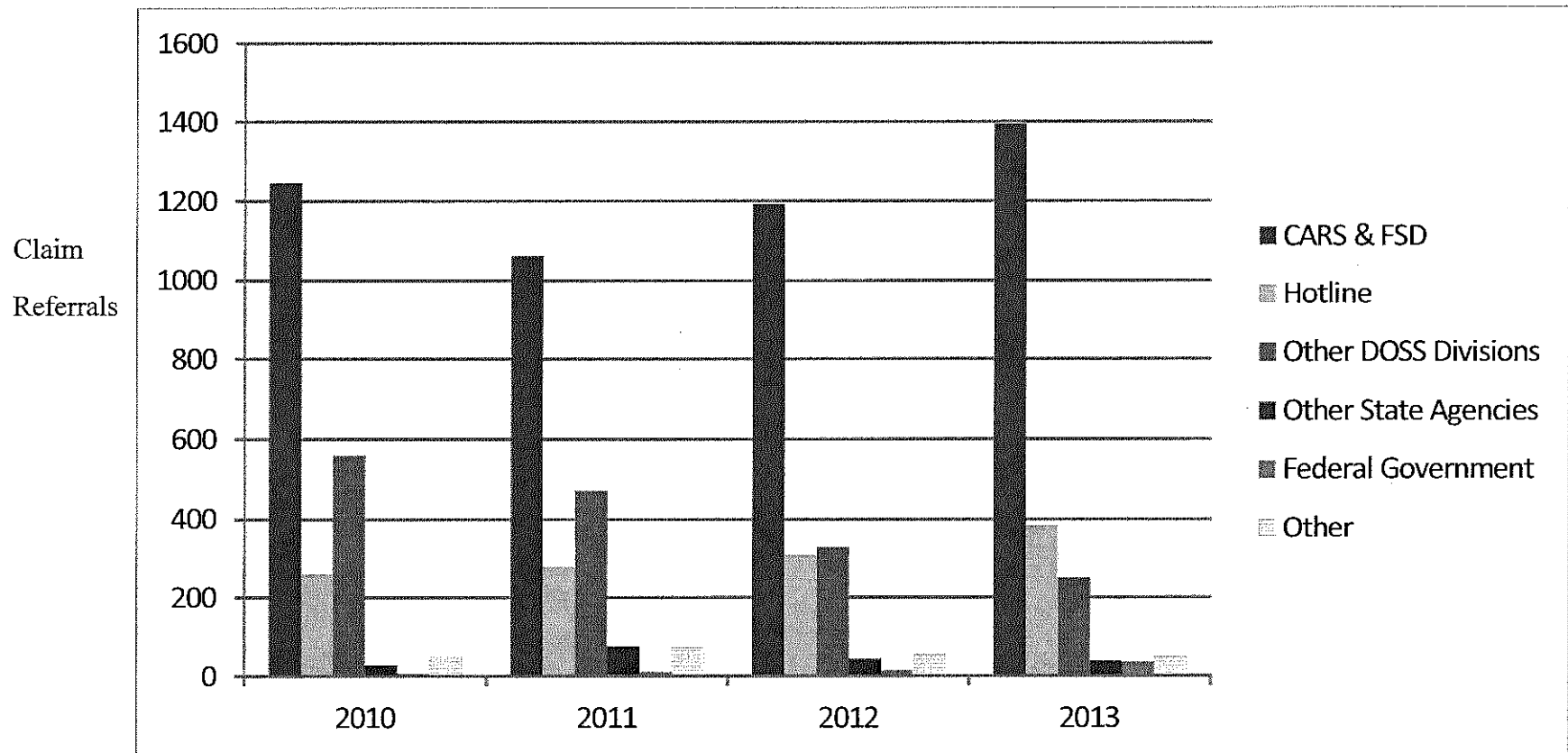
Although referrals come from various sources, most come from the DSS - Family Support Division (FSD) since eligibility specialists are the ones that work most closely with public assistance recipients. FSD is responsible for determining the eligibility of applicants for various programs as well as performing recertifications after the initial benefit period ends or when the recipient notifies the eligibility specialist of a change in income or other qualifying criteria. Overpayments are detected when FSD screening and follow up reveals unreported income, changes in family status, etc. When the eligibility specialist worker suspects errors are not due to an unintentional mistake on the part of the recipient or the State, the overpayment may be due to an Intentional Program Violation (IPV), i.e. fraud or abuse, and may be forwarded to WIU (depending on amount, etc.). In most instances where a suspected program violation occurs, FSD has determined the amount of the claim against the recipient and entered it into the Claims Accounting and Restitution System (CARS) prior to notifying WIU. Together, CARS and FSD make up more than 70% of all claim referrals to WIU. See Chart 1.

WIU management stated that anonymous and vague complaints are difficult to pursue although some allegations may be clarified if they relate to previous allegations and/or previous cases. In addition, the DSS policy on confidentiality does not allow WIU investigators to provide any information to complainants. WIU management told us this confidentiality requirement may lead to concerns by referral sources as to whether the allegation was reviewed or investigated.

Timeliness of investigations and work performed by investigators can be delayed, in certain circumstances, due to the need to pursue higher priority activities including employee threat investigations, court appearances, requests from federal agencies (USDA, IRS, INS, etc.) and law enforcement agencies, and Food and Nutrition Service whistleblower complaints.

Table 5 (page 19) provides statistics on the total number of allegations received, files closed without assignment of a case number, and claims investigated by WIU for FYs 2010 - 2013.

Chart 1: Source of Claims Referred to WIU





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Table 5 - Total number of allegations received, files closed without a case being opened, and files in which cases were opened for FYs 2010 - 2013.

	2010			2011			2012			2013		
	Reports/ Referrals Received	Files Closed W/O Case Creation	Cases Opened	Reports/ Referrals Received	Files Closed W/O Case Creation	Cases Opened	Reports/ Referrals Received	Files Closed W/O Case Creation	Cases Opened	Reports/ Referrals Received	Files Closed W/O Case Creation	Cases Opened
TANF	1,515	780	735	1,272	643	629	983	446	537	968	487	481
FS	3,701	2,289	1,412	3,018	1,993	1,025	2,942	1,939	1,003	3,419	2,317	1,102
Medicaid / XIX	2,172	1,613	559	1,743	1,361	382	1,717	1,434	283	2,108	1,787	321
DC/CC	228	174	54	193	166	27	146	121	25	189	165	24
Other*	194	173	21	182	165	17	337	325	12	418	399	19
TOTAL	7,810	3,086	2,146	6,408	2,663	1,971	6,125	2,145	1,947	7,102	2,592	2,132

Source: Department of Social Services \*Other includes: Nursing Care, Blind Pension, Supplemental Aid to the Blind, Employment Inquiries, Internal reviews, Employee Threats, EBT (trafficking), Vendors, and Other - Not classified

NOTE: TOTAL numbers are “unduplicated” numbers. Files closed without a case being opened represent work performed on tips, calls, e-mails, etc. where the information provided by the complainant could not be substantiated, was incomplete or determined to be erroneous. The number of cases opened by type of benefit does not equal the total number closed/opened because a recipient may receive more than one type of benefit, i.e. a single recipient could have an allegation that includes misuse of food stamps, TANF, and daycare (DC)/child care (CC). In addition, there is the possibility of an under-reporting of some data due to changes in coding between years.

The WIU only pursues cases in which the suspected IPV is at least \$500 because WIU's role is to prepare cases for prosecution and conviction by a county prosecuting attorney for stealing \$500 or more (a class C felony). County prosecutors have the flexibility to determine their own minimum thresholds in considering whether to prosecute a case in court; as a result, many cases over \$500 are not prosecuted.

WIU provided Oversight with a list of the minimum threshold amounts established by each county prosecutor and the City of St. Louis before they would consider prosecuting a case. Only the 20 counties in the Southeastern District (Sikeston) have a minimum threshold amount of \$500. All 22 counties of the Western District (Kansas City) have a \$1,000 minimum threshold requirement except Jackson County (\$5,000). The 23 counties of the Southwestern District (Springfield) have a minimum thresholds amount between \$2,000 and \$2,500 except for Lawrence County (\$3,000) and Greene County (\$4,000); all 45 counties of the Central Region (Jefferson City) have a \$1,000 minimum threshold; and, the four counties of the Eastern District (St. Louis) have a \$1,000 minimum threshold requirements. The City of St. Louis has a \$5,000 minimum threshold requirement.

Once an overpayment amount is established, it does not matter whether the improper payment resulted from an IPV, unintentional program violation, or agency error. The recipient/participant, and other parties over age 18 in the household, are held responsible for repayment of the overpaid benefits. FSD retains collection responsibility for program violations which are not prosecuted, unintentional program violations (any amount), or agency error amounts (any amount).

### **Comment 3**

Oversight notes that the current WIU policy requires investigation of cases that will not be accepted by a county prosecuting attorney because county prosecutor thresholds exceed the WIU threshold. This could take resources away from more significant cases.

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### **Recommendation 3**

Oversight recommends DSS consider coordinating their case review threshold with prosecuting attorneys to maximize the use of investigative resources on cases that prosecuting attorneys would accept for prosecution.

In addition, Oversight recommends that WIU continue to return all cases not accepted for prosecution by a prosecuting attorney to FSD for collection.

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Table 6 -Cases Closed by Resolution Type

<b>FY</b>	<b>Cases Opened</b>	<b>Cases Closed</b>	<b>Cases Closed w/ Promissory Note</b>	<b>Cases Closed Referred to Prosecutor</b>	<b>Cases Closed w/ Prosecutor Conviction</b>	<b>Cases Closed w/ Prosecutor Restitution</b>	<b>Food Stamp Eligibility Disqualified</b>
2010	2146	3178	763	33	19	0	472
2011	1971	2355	802	29	19	5	590
2012	1947	1461	577	55	28	8	396
2013	2132	1644	646	30	10	5	387
Total Dollar Amount			\$10,469,515	\$5,741,751	\$4,702,081	\$250,757	N/A

Source: Department of Social Services

NOTES:

1/ The number of cases closed by outcome does not equal the total number closed because cases against a recipient may involve more than one type of benefit, i.e. a single recipient could have an allegation that includes misuse of food stamps, TANF, and child care. A case may also have more than one outcome, and WIU management informed us that changes have been made to the DSS data file systems that make information from one year inconsistent with that for other years. Further, cases may open in one fiscal year and close in another fiscal year.

2/ Cases include TANF, Food Stamp, Medicaid, Child Care, and Other programs.

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2/ Cases include TANF, Food Stamp, Medicaid, Child Care, and Other programs.

#### **Comment 4**

WIU management told Oversight staff the Division of Legal Services (DLS) is working with county prosecuting attorneys through the Missouri Office of Prosecution Services (MOPS) to develop a partnership designed to increase the likelihood of successful recoupment of funds and benefits fraudulently obtained, and of successful welfare fraud prosecutions.

WIU management also said they are seeking to bring additional federal funds into Missouri to support the investigation and prosecution of these crimes against the public trust. The program is modeled after similar successful partnerships between state social services agencies and prosecuting attorneys. The following county prosecuting attorneys have volunteered to be pilot counties: St. Louis County, Platte County, Boone County, Warren County, Dunklin County and Jasper County.

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#### **Recommendation 4**

Oversight recommends DLS continue working with county prosecuting attorneys and MOPS to increase recoveries of fraudulent benefit payments and successful prosecution of persons who commit welfare fraud.

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## Chapter 5 - Timeliness of Case Review

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The Statewide Single Audit for the Year Ended June 30, 2012 conducted by the Missouri State Auditor's Office (SAO) included a finding regarding the timeliness of the Welfare Investigations Unit (WIU) case completion. In that finding, the SAO noted that two out of ten child care fraud investigations closed during fiscal year 2012 were not completed timely by the WIU. One of the investigations was open for five years and eventually closed without a repayment agreement because the statute of limitations had expired. The other investigation was open for three (3) years with no repayment agreement. WIU had referred the case to the Children's Division (CD), but CD did not deny eligibility to the client until six (6) months later.

The SAO recommended the WIU improve controls and procedures over fraud investigations and ensure cases are investigated timely, appropriate actions are taken to recover overpayments, and eligibility is not approved when a client is not repaying.

DSS agreed with the SAO's finding and recommendation. In their response, DSS indicated there was no specific method established to prioritize pending investigations. The supervisor in each of the five (5) regional offices assigned new cases to investigators and monitored caseloads, but procedures varied between offices. DSS officials also indicated that WIU staffing levels may affect the number of cases that can be investigated.

As part of this review, Oversight obtained and reviewed the corrective action plan submitted in response to the SAO's audit finding, and discussed what actions had been taken by the Investigations Section.

The corrective action plan required the Division of Legal Services, Investigations Section management to work towards ensuring all investigations are completed in a timely manner. A case closing study for the period of January 2010 through September 2010 was to be performed and timeframes established for closing cases and/or completing various types of investigations. New performance objectives were to be developed for both Investigators and Supervisors and added to Investigator II and Investigator III job expectations effective for cases opened after March 1, 2013. In addition, a statewide review of all open cases/investigations to address case closing deficiencies and ensure appropriate steps have been taken was to be performed. Each investigation opened prior to January 1, 2011 was to be reviewed and prioritized to ensure closure prior to the statute of limitations. Any case beyond the statute of limitations would be investigated and referred to FSD for appropriate action. Management is also required to conduct an annual review to ensure timely investigation completions.

In response to an Oversight inquiry, Investigations' management explained that a study of cases closed by WIU investigators was conducted for the 33-month period January 2010 through September 2012 and included the following case types: Claims and Restitutions (CARS), Electronic Benefit Transactions (EBT), and Child Care Providers. These cases were selected for review as they represent the majority of cases investigated by WIU.

As a result of the study of cases closed by WIU investigators, management learned that, on average, WIU Investigators closed a child provider case in 193 days, closed an EBT case in 51 days, and closed a CARS case in 142 days. Based on this study, on March 1, 2013, the following expectations were added to Investigator II and Investigator III performance objectives:

- Ensure daycare provider investigations are completed within 200 days and EBT cases within 60 days from the date the case is assigned. Upon the supervisor's request, provide written explanation for cases remaining open past the established guidelines.
- Ensure CARS investigations are completed within 180 days from the date the case is assigned by acquiring a promissory note(s)/administrative disqualification waiver, returning to FSD for action, or referring for prosecution. Upon the supervisor's request, provide written explanation for cases remaining open past the established guidelines.

Prior to Oversight's review, the SAO conducted follow-up field work at the WIU for the 2013 Fiscal Year State of Missouri Single Audit. As part of their review, SAO auditors selected a sample of closed cases for review. At the time of Oversight's review, the SAO had not issued its report and the outcome of the audit is not yet available. Therefore, due to time constraints, Oversight performed a limited review of two closed case files (one from the Central District and one from the Western District) previously selected by the SAO.

#### **Comment 5**

Oversight's review confirmed the comment in SAO's FY 2012 Single Audit Report findings regarding the length of time required to complete investigations. However, the files reviewed by Oversight were for cases begun in 2010 and 2011. WIU's new case review guidelines/expectations were not put into effect until March 1, 2013 and would not be applicable to these closed cases.

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#### **Recommendation 5**

Oversight recommends the DSS continue to implement the corrective action plan.

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## Chapter 6 - Comparison with Other States

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Oversight contacted officials from the eight states that border Missouri (Iowa, Illinois, Kentucky, Tennessee, Arkansas, Oklahoma, Kansas and Nebraska) and conducted internet research on states, including, but not limited to states with similar demographics to Missouri (Indiana, Michigan, New Hampshire, Washington, Massachusetts, Arizona, Maryland, Wisconsin, Minnesota, Colorado, and Alabama) to try to determine how Missouri's program to combat recipient fraud and abuse compares to other state programs. Comparative information was limited.

Oversight's research revealed that the organization of welfare fraud investigation units varies significantly from state to state for the states reviewed. Although every state appears to have an entity(s) with similar responsibilities, those entities may be much different organizationally. One state had fraud and abuse reviews shared between several units within a single department (Mississippi); in some states, public assistance programs are administered strictly at the county level (Colorado) or investigations are performed at the county level (Minnesota); in Iowa, Tennessee and Arkansas, the fraud control unit reviews some public assistance programs, but not others; in New York, allegations of recipient fraud and abuse are administered by their Department of Social Services, but child care, Medicaid, and threats to employees are investigated by other organizations within the state. Based on discussions with WIU management, few states appear to have all public assistance programs investigated by a single organization the way Missouri does. WIU management also indicated the Investigations Section was contacted by other states seeking information on how Missouri's program operated.

Oversight's review of available internet information, and information provided by states that responded to Oversight's request, did not provide sufficient information to compare WIU's procedures to the procedures used by other states to identify recipient fraud and abuse of public assistance monies.